

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2000-322

July 3, 2001

NORTHERN UTILITIES, INC.,  
Request for Approval of Reorganization  
(Merger and Related Transactions)

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. SUMMARY**

We decide not to open an investigation at this time to modify Northern Utilities, Inc.'s (Northern) service quality reporting criteria or to consider whether to adopt any service quality mechanisms, programs, standards, or penalties. However, we will closely monitor Northern's performance and will require it to promptly address and resolve service issues as they arise. We will not hesitate to initiate a proceeding to address Northern's service quality issues or to adopt standards, penalties, or programs at any time should it appear warranted.

**II. PROCEDURAL HISTORY**

On June 30, 2000, we issued an Order in this docket approving the reorganization of Northern Utilities, Inc. involving the merger of its corporate parent, Nisource, Inc. (NiSource) with Columbia Energy Group (Columbia), subject to certain conditions. In that Order, we stated that within one year we would determine whether to open an investigation into whether Northern's service monitoring criteria are adequate and whether any service quality assurance mechanisms or penalties should be imposed. See Order at 1 and 16.

We directed Northern to file historic records for certain service quality criteria listed in the Order for all years through 2000 and to report to us on those criteria annually thereafter for a minimum of five years. On May 3, 2001, Northern made its first filing, a summary report of these measures that includes historic service quality information (where available) for FY1995 through March 2001.

On June 15, 2001, the Hearing examiner and Consumer Assistance Director issued a Hearing Examiner's Report. No party filed exceptions.

### III. ANALYSIS AND DECISION

#### A. Service Quality Reporting

Our review of this matter requires that we determine whether these service reporting indicators are adequate or whether we should consider opening an investigation to determine whether there are any additional measures (including reward/penalty programs) that we should adopt to ensure that Northern's service performance remains adequate.

The criteria we required in our previous order generally provide a good overview of utility performance. They include items -- such as service appointments completed on the scheduled day, telephone response times, numbers of actual on-cycle meter reads, and PUC complaints per thousand customers -- that monitor whether the utility is providing adequate service to its customers. The reporting criteria also include several safety-related items, such as odor and emergency call response times, lost time incidents per 100 employees, and number of main and service damage incidents resulting from incorrect locating by Northern or its agents, rather than third party error. These items are useful in tracking whether the Company is meeting its safety obligations.

From such indicators we can evaluate generally how a utility is performing in these specified areas, as well as whether they are improving or failing in any particular area as compared to historic performance levels or to other like utilities. It is for these reasons that we specified them in our initial order. Because of the scant record on service issues and reporting criteria at that time, however, we allowed further time to consider whether these indicators were appropriate.

#### B. Northern's Position

In its filing letter, Northern asserts that its performance during calendar year (CY) 2000 was influenced by the introduction of a new customer information system (CIS), made necessary in large part by Y2K deficiencies in its previous system. Northern contends that its investments in service-related technology, specifically its \$1.8 million CIS system, and increases in its centralized Call Center expenditures during 1999 and 2000, "demonstrate Northern's commitment to enhanced customers service."

Northern requests that we consider the facts contained in its filing as sufficient evidence to demonstrate both the adequacy of Northern's service quality reporting criteria and its commitment to maintaining historical service quality levels. Accordingly, Northern argues there is no need for us to investigate whether the service quality criteria are adequate or whether to adopt any

mechanisms, programs, standards, or penalties to ensure that Northern provides adequate service to its customers.

Northern notes that it has gained experience with service quality issues in part by its participation in the Massachusetts Department of Telecommunications and Energy's generic proceeding to develop measures, targets, and penalties to be included in performance based regulation (PBR) plans for local distribution gas utilities and has discovered that careful analysis is necessary to assess the true cause of variances in service performance in a given year. For example, Northern states that such reporting criteria provide a "snapshot" of utility performance, but may not capture relevant events that influence long-term performance, such as implementation of a new CIS. Northern urges us to consider the unusual and disruptive events that have occurred during its reorganizations in 1998 and 2000, reflected in Northern's reported performance. Northern asserts that its current performance, as reflected in these reporting criteria, "has been generally consistent since the original merger with NiSource," and asks the Commission to find that further service reporting criteria and penalties are not necessary at this time.

#### C. Analysis

The criteria set forth in our Order represent a standard array of indicators and provide us with a reasonable amount of information. We have had a limited opportunity to track Northern's performance using these criteria or to assess to what extent they may not capture service issues of which we become aware. We wish to allow sufficient time for us to monitor Northern using these criteria. Consequently, we do not find that modifications to these indicators are necessarily warranted at this time. However, we recognize that we have had limited experience with monitoring Northern with these specific criteria and note that it is entirely possible that we may encounter circumstances that support modification in the future. For now, we will continue with these indicators with further investigation into problem areas as they arise.

For instance, our review of Northern's reported service performance according to the criteria established in Docket No. 2000-322 shows a trend toward increasing PUC complaints over the last several years. Northern's PUC complaint levels almost doubled for three successive years: FY 1997 (8), 1998 (14), and 1999 (30). We recognize that Northern has largely succeeded in addressing several problem areas in its service that arose during the computer system changeover in late 1999 and 2000, such as unacceptable telephone response times and insufficiently trained service personnel. Northern also closed its Portland office to walk-in traffic for payment and billing information in a locally responsible manner, providing customers with adequate time and

information to make a smooth adjustment and keeping us informed of their activities.<sup>1</sup>

Our Consumer Assistance Division Director (as well as staff from the New Hampshire and Massachusetts commissions) worked intensively with Northern to resolve a pattern of residential service estimated billing errors and telephone response times over the last year. Recently, however, these problems reappeared as billing and estimating errors in commercial accounts and an overwhelmed telephone response system upon the closing of several walk-in centers in the region.<sup>2</sup> We intend to have our staff investigate such matters further when they occur and to work to have the Company resolve service problems. To date we have employed a cooperative approach, meeting with the Company, as well as staff from the New Hampshire and Massachusetts commissions, to discuss the problems and find solutions. In the event that problems such as these are not resolved in an effective and efficient manner by Northern, or occur with unreasonable frequency, we will consider imposing a penalty mechanism on the Company. However, we will not do so at this time, until we have had additional experience with the Company's post-merger performance to evaluate the matter further. This will allow us to determine whether the CIS related issues are, in fact, resolved and to confirm that Northern will be providing better service in the long-term.

### III. CONCLUSION

We recognize that recent reorganizations of Northern's data, billing, and information systems have resulted in disturbances or modifications in the Company's usual practices and that these require a certain amount of time and effort to overcome. Because we have found the Company's service personnel and management generally responsive to resolving problems when they arise, we do not find it necessary to impose penalties or penalty mechanisms on the Company at this time.

We will continue monitoring Northern's performance with the criteria established in our Order approving the NiSource merger, watching its ongoing post-merger results. In the meantime, we require Northern's diligent resolution of

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<sup>1</sup> This assessment is made aside from the regional call center problem.

<sup>2</sup> Only one center was closed to walk-in traffic in Maine. However, the concurrent closing of similar centers in neighboring states in which Northern and its affiliate, Bay State Gas Company, operate led to greatly increased call volumes to its consolidated call center in Massachusetts. We suggested that Northern suspend disconnections until the problem was abated. Northern addressed the problem and the situation improved fairly quickly. It is disappointing that Northern did not anticipate this increased volume and staff adequately to handle it, particularly as this time of year already has heavy call volumes due to post-winter period disconnections.

service problems and will not hesitate to make changes or to initiate appropriate proceedings if the Company's responsiveness declines or we otherwise find it warranted.

Dated at Augusta, Maine, this 3rd day of July, 2001.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Diamond

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

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